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SUBJECT: QATAR PARTNERS WITH NYSE EURONEXT TO REBRAND SECURITIES
MARKET

(SBU) KEY POINTS

-- Rebranding its bourse as "Qatar Exchange" (formerly the Doha Securities Market), the Qatar Investment Authority (QIA) and NYSE Euronext announced June 19 a formal agreement to give the latter a 20 percent stake in the exchange (for \$200 million) in exchange for services and technology assistance, and a leading management role.

-- The agreement will not change existing market practices or regulation in the short-term, although it envisions a future exchange that can accommodate more diverse products and will invite more international investment.

(SBU) COMMENTS

-- The launch of Qatar Exchange is Qatar's latest success in luring internationally-recognized firms to provide technology and knowledge transfer, in exchange for a piece of the fast-growing Qatari economy.

-- Modernization of the Qatar Exchange's processes could help it become more competitive and efficient, giving it an advantage in competition with other Gulf markets.

-- A small coterie of Qatari officials managed the formation of this venture. The model is similar to the Qatar Financial Center, where the GOQ parachutes in an internationally-recognized system to quickly upgrade Qatar's image and capabilities, vice pushing for incremental reforms of the private sector.

-- Qatar Exchange remains a relatively small operation - with only 43 listed companies and market capitalization of about USD 75 billion. While not a bellwether of Qatar's overall economic health, many Qataris are invested in the exchange and so its fluctuations have a significant influence on personal financial health.

End Key Points and Comments.

[1](#)1. (U) Announcing the agreement in soaring language, Qatari Prime Minister Hamad Bin Jassim Al Thani (who is also the QIA CEO) said that the new bourse "paves the way for Qatar to take a prominent role in the world's capital markets for the benefit of both the people of Qatar and the Middle East more generally. Our vision is to create a world class financial center around a global exchange that is on par with the deepest pools of capital across Europe, the U.S. and Asia."

[1](#)2. (U) The most immediate consequence of the venture is that NYSE Euronext will provide Qatar Exchange with its latest generation of trading technology (Universal Trading Platform). NYSE Euronext also committed to use Doha as its Middle East operational and support hub, a coup for Qatar in its competition with other regional financial centers. Qatar Exchange will also reportedly seek

listings in New York and Paris.

¶3. (SBU) The agreement also envisions Qatar Exchange as a platform for developing more diverse products. For example, Qatari officials have expressed interest in developing an energy derivative.

-- The QIA also owns the "International Mercantile Exchange" (IMEX), a QFC-registered firm with offices in London and Doha whose goal is to create regional trading hubs and a commodity exchange for hydrocarbons and related products.

¶4. (SBU) Qatar Exchange will continue to be regulated by the Qatar Financial Markets Authority (QFMA).

-- The QFC Regulatory Authority Managing Director for Financial Sector Development and Policy told Econoff Fabrycky June 23 that the QFC was not directly involved in the launch of Qatar Exchange, though it did consult with the partners as they came to agreement. If Qatar continues to move toward a single, unified regulator (a process delayed indefinitely by the economic crisis and pushback from parts of the Qatari government), then QFC regulators will eventually assume a prominent role in shaping the regulatory environment for the exchange.

¶5. (U) NYSE Euronext will take a 20 percent stake in the market for USD 200 million. QIA will retain 80 percent of the market through its subsidiary Qatar Holding (Note: Qatar Holding is registered in the Qatar Financial Center and is the strategic and direct investment arm of the QIA.)

-- The exchange's new board will be headed by Dr. Khalid Al-Attiyah, the Minister of State for International Cooperation who was recently

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also appointed Acting Minister of Business and Trade. (Note: While an able public servant and trusted by the Amir and other senior GOQ officials, Al-Attiyah will have a full plate balancing his new business responsibilities with his traditional role in the Foreign Ministry).

-- Qatar Holding's Managing Director Ahmed Al-Sayyed will serve as the Board's Vice Chairman.

-- Andrew Went, a former Managing Director for NYSE Euronext's Amsterdam operations, was appointed as CEO of the exchange.

-- NYSE Euronext will take three of 11 seats on the board, while QIA will appoint six, and two will be independent.'

¶6. (SBU) The former DSM General Manager Saif Khalif Al-Mansoori previewed the deal for Econoff Fabrycky in early June, noting that the DSM had been working with NYSE for years and all of the current staff would be retained - as a result, he expected a quick transition.

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